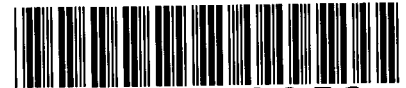


ORIGINAL
MEMORANDUM



0000132972

TO: Docket Control
FROM: Steven M. Olea
Director
Utilities Division

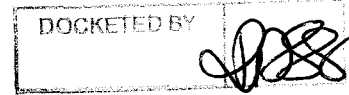
EA for SMD

Arizona Corporation Commission

DOCKETED

DEC 16 2011

DATE: December 16, 2011



RE: STAFF REPORT FOR THE APPLICATION FOR APPROVAL OF SALE OF
ASSETS AND TRANSFER OF CERTIFICATE OF CONVENIENCE AND
NECESSITY OF WILHOIT WATER COMPANY TO ACME WATER
COMPANY DOCKET NOS. W-02065A-11-0246 AND W-20809A-11-0246

Attached is the Staff Report for the sale of assets and transfer of Certificate of Convenience and Necessity of Wilhoit Water to ACME Water Company.

SMO:KMS:red

Originator: Kiana M. Sears

Attachment: Original and 13 Copies

RECEIVED
2011 DEC 16 P 2:59
AZ CORP COMMISSION
DOCKET CONTROL

Service List for: Wilhoit Water Company
Docket Nos. W-02065A-11-0246 and W-20809A-11-0246

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365 East Coronado Road, Suite 200
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Mr. Jim West
PO Box 879
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Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice Alward
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
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1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

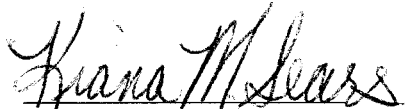
WILHOIT WATER COMPANY
DOCKET NOS. W-02065A-11-0246 AND W-20809A-11-0246

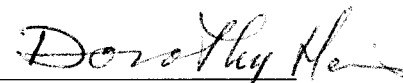
APPROVAL OF SALE AND TRANSFER OF CERTIFICATE OF
CONVENIENCE AND NECESSITY OF WILHOIT WATER COMPANY TO
ACME WATER COMPANY

DECEMBER 16, 2011

STAFF ACKNOWLEDGMENT

The Staff Report for Wilhoit Water Company, Docket Nos. W-02065A-11-0246 and W-20809A-11-0246 was prepared by the Staff members shown below.


Kiana M. Sears
Executive Consultant I


Dorothy Hains, P.E.
Utilities Engineer

**EXECUTIVE SUMMARY
WILHOIT WATER COMPANY
DOCKET NOS. W-02065A-11-0246 AND W-20809A-11-0246**

On June 16, 2011, Wilhoit Water Company ("Wilhoit", "Company" or "Applicant") filed an Application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of the Wilhoit water system assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to ACME Water LLC ("ACME"). On May 1, 2011, Wilhoit and ACME entered into an Asset Purchase Agreement through which ACME would acquire the Wilhoit water system assets and CC&N subject to Commission approval. If the proposed transfer is approved, this will be the first water system owned and operated by ACME.

Jim West will see to the day to day operation of the Company, while Brian Cunningham, a Grade II Certified Water Operator, will continue to operate the Wilhoit water systems under ACME if the Commission approves this application. Based on that information, Staff believes the new owner has the technical, managerial and financial ability required by the Rules to run a water company. This application has been expanded to include two additional supplements to the initial application. The first Supplement requests that the Commission grant additional approvals to bring Wilhoit into compliance with previous Commission Decisions and the second Supplement is a request for the cancellation of the CC&N for a portion of its certificated area.

Wilhoit currently owns and operates three water systems, they are (1) Wilhoit - Yavapai Estates System ("Yavapai Estates") located in Chino Valley; (2) Wilhoit - Blue Hills No. 3 System ("Blue Hills") located in the Town of Dewey; and (3) Wilhoit - Thunderbird Meadows System ("Thunderbird Meadows") located southwest of Prescott near Kirkland. All three systems are in Yavapai County, Arizona. The Yavapai Estates system consists of two wells, a distribution system and storage facility serving 94 metered connections. The Blue Hills system consists of two wells, a distribution system and storage facility serving 54 metered connections. The Thunderbird Meadows system consists of four wells, a distribution system and no storage facility serving 123 metered connections. Water produced by the Thunderbird Meadows wells exceeds the arsenic maximum contaminated level ("MCL"). Therefore water is purchased from the Walden Meadow system and blended before it is delivered to customers. Staff concludes that all three systems have adequate production and storage capacity to serve existing customers and reasonable growth.

On September 15, 2011, Wilhoit filed two Supplements to the application it filed on June 16, 2011. The first Supplement addresses an issue with Sale of Assets. According to the Applicant, the City of Prescott ("the City" or "Prescott") condemned the Willow Lakes water system ("Willow Lakes") on June 10, 1981. Subsequently in Decision No. 58102, the Commission ordered the Company to file an application with the Commission requesting approval of the sale of Willow Lakes and deletion of the corresponding CC&N area. There doesn't appear to be any record that such an application was ever filed with the Commission or that the Sale of the Willow Lakes assets was approved. Therefore, Wilhoit filed the supplement to request the Commission approve, as part of this application, the sale of the Willow Lakes assets to the City.

According to the Applicant, the purpose of the second Supplement is to cancel a CC&N area that was never developed and never served any customers. Plans of the parent company of Wilhoit (Glenarm Land Company) to develop property within the area it proposes to delete never materialized and the area was never developed. The second Supplement seeks Commission approval to delete the corresponding CC&N area which includes portions of Sections 26, 27, 34 and 35 of Township 11 North, Range 3 West. There are no existing customers in the proposed deletion area and it does not look like this area will be developed in the near future; therefore, Wilhoit seeks to delete the area from its CC&N.

RECOMMENDATIONS

1. Staff recommends the approval of sale of assets and the transfer of the CC&N of Wilhoit Water Company, LLC to ACME with the following conditions:
 - Wilhoit be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with the 2012 Annual Report filed in 2013.
 - The results of this monitoring and reporting be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding.
 - If the reported water loss for the period is greater than 10 percent, the Company prepares a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent.
 - The water loss reduction report or the detailed analysis, be docketed as a compliance item no later than June 30, 2013.
2. Staff recommends approval of the Wilhoit's three BMP Tariffs, BMPs 3.6, 3.7 and 5.2, attached hereto. Staff further recommends that the Wilhoit file with Docket Control, as a compliance item in the docket, the three BMP Tariffs listed above within 30 days of the effective date of the order issued in this proceeding.
3. Staff recommends that Wilhoit file with Docket Control, as a compliance item in this docket, by December 31, 2012, ADEQ Water Quality Compliance Status Reports showing that water system PWS No. 13-055 and PWS No. 13-056 are in compliance with ADEQ requirements and that the systems are delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

4. Staff recommends that the Commission approve the sale and transfer of the Willow Lakes system assets to the City of Prescott.
5. Staff recommends approval of the Company's proposal to delete CC&N area included in portions of Sections 26, 27, 34 and 35 of Township 11 North, Range 3 West.

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INTRODUCTION

On June 16, 2011, Wilhoit Water Company ("Wilhoit", "Company" or "Applicant") filed an Application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of the Wilhoit water system assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to ACME Water LLC ("ACME"). On May 1, 2011, Wilhoit and ACME entered into an Asset Purchase Agreement through which ACME would acquire the Wilhoit water system assets and CC&N subject to Commission approval. If the proposed transfer is approved, this will be the first water system owned and operated by ACME. Brian Cunningham, a Grade II Certified Water Operator, will continue to operate the Wilhoit water systems under ACME if the Commission approves this application. This application has been expanded to include two additional supplements to the initial application. The first Supplement requests that the Commission grant additional approvals to bring Wilhoit into compliance with previous Commission Decisions and the second Supplement is a request for the cancellation of the CC&N for a portion of its certificated area.

On September 15, 2011, Wilhoit filed a Supplement to the original application. According to the Applicant, the City of Prescott ("the City" or "Prescott") condemned the Willow Lakes water system ("Willow Lakes") on June 10, 1981. Subsequently in Decision No. 58102, the Commission ordered the Company to file an application with the Commission requesting approval of the sale of Willow Lakes and deletion of the corresponding CC&N area. There doesn't appear to be any record that such an application was ever filed with the Commission or that the Sale of the Willow Lakes assets was approved. Therefore, Wilhoit filed the supplement to request the Commission approve, as part of this application, the sale of the Willow Lakes assets to the City. Staff recommends that the sale of the Willow Lakes assets to the City be approved.

On September 15, 2011, Wilhoit filed a second Supplement to its application filed on June 16, 2011. According to the Applicant, the purpose of the second Supplement is to cancel a CC&N area that was never developed and has never served any customers. Plans of the parent company of Wilhoit (Glenarm Land Company) to develop property within the area it proposes to delete never materialized and the area was never developed. The second Supplement seeks Commission approval to delete the corresponding CC&N area which includes portions of Sections 26, 27, 34 and 35 of Township 11 North, Range 3 West. There are no existing customers in the proposed deletion area and it does not look like this area will be developed in the near future; therefore. Staff recommends approval of the Company's proposal in its second Supplement to delete the Wilhoit's CC&N in portions of Sections 26, 27, 34 and 35 of Township 11 North, Range 3 West.

BACKGROUND

The Commission granted Wilhoit a CC&N in Decision No. 39691, dated October 24, 1968. Wilhoit currently owns and operates three water systems, they are (1) Wilhoit - Yavapai Estates System ("Yavapai Estates") located in Chino Valley; (2) Wilhoit - Blue Hills No. 3

System ("Blue Hills") located in the Town of Dewey; and (3) Wilhoit - Thunderbird Meadows System ("Thunderbird Meadows") located southwest of Prescott near Kirkland. All three systems are in Yavapai County, Arizona.

COMPANY WATER SYSTEMS

Yavapai Estates

The Yavapai Estates system consists of two wells (total pumping yields 55 gallons per minute ("GPM")) a distribution system and storage facility serving 94 metered connections. Currently this system is purchasing water from Prescott. Staff concludes that the system has adequate production and storage capacity to serve existing customers and reasonable growth.

Blue Hills

The Blue Hills system consists of two wells (total pumping yields 60 GPM), a distribution system and storage facility serving 54 metered connections. Staff concludes that the system has adequate production and storage capacity to serve existing customers and reasonable growth.

Thunderbird Meadows

The Thunderbird Meadows system consists of four wells (total pumping yields 20 GPM), a distribution system and no storage facility serving 123 metered connections. Water produced by the Thunderbird Meadows wells exceeds the arsenic maximum contaminated level ("MCL"); therefore water is purchased from the Walden Meadow system and blended before it is delivered to customers. Staff concludes that the system has adequate production and storage capacity (through the interconnection with Walden Meadows) to serve existing customers and reasonable growth.

OPERATION

According to the Company, the operations of the Company are expected to remain essentially the same with little changes after the transfer of ownership. Jim West will see to the day to day operation of the Company, while Brian Cunningham, a Grade II Certified Water Operator, will continue to operate the Wilhoit water system under ACME if the Commission approves this application. Based on that information, Staff believes the new owner has the technical, managerial and financial ability required by the Rules to run a water company.

COMPLIANCE

Arizona Department of Environmental Quality ("ADEQ") Compliance

Yavapai Estates

ADEQ regulates Yavapai Estates under ADEQ Public Water System ("PWS") I.D. No. 13-077. Based on a Compliance Status Report, dated July 18, 2011, the system has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Blue Hills

ADEQ regulates Blue Hills under ADEQ PWS No. 13-055. Based on a Compliance Status Report, dated July 15, 2011, the system has major monitoring and reporting deficiencies. Arsenic in water produced by system wells exceeds the arsenic MCL. ADEQ cannot determine if the system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Staff recommends that Wilhoit file with Docket Control, as a compliance item in this docket, by December 31, 2012, an ADEQ Water Quality Compliance Status Report showing that water system PWS No. 13-055 is in compliance with ADEQ requirements and that the system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Thunderbird Meadows

ADEQ regulates Thunderbird Meadows under ADEQ PWS No. 13-056. Based on a Compliance Status Report, dated July 21, 2011, the system has major deficiencies due to (1) two wells have not received Certificates of Approval to Construct and (2) finished water storage tank coating is not NSF 61 approved. ADEQ cannot determine if the system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Staff recommends that Wilhoit file with Docket Control, as a compliance item in this docket, by December 31, 2012, an ADEQ Water Quality Compliance Status Report showing that water system PWS No. 13-056 is in compliance with ADEQ requirements and that the system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

City of Prescott Water System

ADEQ regulates Prescott under ADEQ PWS No. 13-045. Based on a Compliance Status Report, dated September 7, 2011, the system has no major deficiencies and is delivering water

that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Walden Meadows Water System

ADEQ regulates the Walden Meadows water system under ADEQ PWS No. 13-184. Based on a Compliance Status Report, dated July 22, 2011, the system has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources ("ADWR") Compliance

The Wilhoit service area is located within the Prescott Active Management Area ("AMA"). ADWR has determined that Wilhoit is currently in compliance with departmental requirements governing water providers and/or community water systems.

ACC Compliance

A check of the Utilities Division compliance database indicated that there are no current delinquent compliance items for Wilhoit. The Company has an approved Curtailment Tariff. Wilhoit also has an approved Cross Connection & Backflow Tariff.

In 2008, ADWR added a new regulatory program for the ADWR Third Management Plan for Active Management Areas ("AMAs"). The Commission has adopted the Best Management Practices ("BMPs") for implementation by large and small Commission regulated water companies. Therefore, on August 19, 2011, Wilhoit docketed three selected BMPs 3.6, 3.7 and 5.2 included and attached to the Engineering section of this Staff Report. Staff recommends approval of the three BMPs Tariffs selected by Wilhoit.

RECOMMENDATIONS

1. Staff recommends the approval of sale of assets and the transfer of the CC&N of Wilhoit Water Company, LLC to ACME with the following conditions:
 - Dells be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with the 2012 Annual Report filed in 2013.
 - The results of this monitoring and reporting be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding.

- If the reported water loss for the period is greater than 10 percent, the Company prepares a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent.
 - The water loss reduction report or the detailed analysis, be docketed as a compliance item no later than June 30, 2013.
2. Staff recommends approval of the Wilhoit's three BMP Tariffs, BMPs 3.6, 3.7 and 5.2, attached hereto. Staff further recommends that Wilhoit file with Docket Control, as a compliance item in the docket, the three BMP Tariffs listed above within 30 days of the effective date of the order issued in this proceeding.
 3. Staff recommends that Wilhoit file with Docket Control, as a compliance item in this docket, by December 31, 2012, ADEQ Water Quality Compliance Status Reports showing that water system PWS No. 13-055 and PWS No. 13-056 are in compliance with ADEQ requirements and that the systems are delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
 4. Staff recommends that the Commission approve the sale and transfer of the Willow Lakes system assets to the City of Prescott.
 5. Staff recommends approval of the Company's proposal to delete CC&N area included in portions of Sections 26, 27, 34 and 35 of Township 11 North, Range 3 West.

MEMORANDUM

DATE: September 30, 2011

TO: Kiana Sears
Executive Consultant

FROM: Dorothy Hains, P. E. *DH*
Utility Engineering

RE: Wilhoit Water Company application for approval of the sale of assets and transfer of Certificate of Convenience and Necessity to ACME Water LLC
(Docket Nos. W- 02065A-11-0246 and W-20809A-11-0246)

INTRODUCTION

On June 16, 2011, Wilhoit Water Company ("Wilhoit", "Company" or "Applicant") filed an Application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of the Wilhoit water system assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to provide water service in Yavapai County, Arizona.¹ The purpose of this Application is to obtain Commission approval of the transfer of the Wilhoit water system assets and CC&N to ACME Water LLC ("ACME"). On May 1, 2011, Wilhoit and ACME entered into an Asset Purchase Agreement through which ACME would acquire the Wilhoit water system assets and CC&N subject to Commission approval. If the proposed transfer is approved this will be the first water system owned and operated by ACME. Brian Cunningham, a Grade II Certified Water Operator, will continue to operate the Wilhoit water systems under ACME if the Commission approves this application.

On September 15, 2011, Wilhoit filed a Supplement to the application it filed on June 16, 2011. According to the Applicant, the City of Prescott ("the City" or "Prescott") condemned the Willow Lakes water system ("Willow Lakes") on June 10, 1981.² Subsequently in Decision No. 58102, the Commission ordered the Company to file an application with the Commission requesting approval of the sale of Willow Lakes and deletion of the corresponding CC&N area. There doesn't appear to be any record that such an application was ever filed with the Commission or that the Sale of the Willow Lakes assets was approved. Therefore, Wilhoit filed the supplement to request the Commission approve, as part of this application, the sale of the Willow Lakes assets to the City. Staff recommends that the sale of the Willow Lakes assets to the City be approved.

On September 15, 2011, Wilhoit filed a second Supplement to its application filed on June 16, 2011. According to the Applicant, the purpose of the second Supplement is to cancel

¹ The Commission granted Wilhoit a CC&N in Decision No. 39691 dated October 24, 1968.

² The Willow Lakes water system served area that is now within Prescott in portions of Section 14 and 15 in Township 14 North and Range 2 West.

part of the CC&N area that was never developed and never served any customers. Plans of the parent company of Wilhoit (Glenarm Land Company) to develop property within the area it proposes to delete never materialized and the area was never developed. The second Supplement seeks Commission approval to delete the corresponding CC&N area which includes portions of Sections 26, 27, 34 and 35 of Township 11 North, Range 3 West. There are no existing customers in the proposed deletion area and it does not look like this area will be developed in the near future; therefore, Wilhoit seeks to delete the area from its CC&N. Staff recommends approval of the Company's proposal in its second Supplement to delete CC&N area included in portions of Sections 26, 27, 34 and 35 of Township 11 North, Range 3 West.

WATER SYSTEMS

Wilhoit currently owns and operates three water systems, they are (1) Wilhoit - Yavapai Estates System³ ("Yavapai Estates") located in Chino Valley; (2) Wilhoit - Blue Hills No. 3 System⁴ ("Blue Hills") located in the Town of Dewey; and (3) Wilhoit - Thunderbird Meadows System⁵ ("Thunderbird Meadows") located southwest of Prescott near Kirkland. All three systems are in Yavapai County, Arizona.

Yavapai Estates

The Yavapai Estates system consists of two wells (total pumping yields 55 gallons per minute ("GPM")) a distribution system and storage facility serving 94 metered connections. Currently this system is purchasing water from Prescott. Staff concludes that the system has adequate production and storage capacity to serve existing customers and reasonable growth.

Blue Hills

The Blue Hills system consists of two wells (total pumping yields 60 GPM), a distribution system and storage facility serving 54 metered connections. Staff concludes that the system has adequate production and storage capacity to serve existing customers and reasonable growth.

Thunderbird Meadows

The Thunderbird Meadows system consists of four wells (total pumping yields 20 GPM), a distribution system and no storage facility serving 123 metered connections. Water produced by the Thunderbird Meadows wells exceeds the arsenic maximum contaminated level ("MCL"); therefore water is purchased from the Walden Meadow system and blended before it is delivered

³ Yavapai Estates serves approximately one eighth square mile land in Section 34 of Township 16 North and Range 2 West.

⁴ Blue Hills serves approximately 1/32 square mile land in Section 3 of Township 13 North and Range 1 East.

⁵ Thunderbird Meadows serves approximately 1/2 square mile land in Section 5 of Township 12 North and Range 3 West and Section 32 of Township 12½ North and Range 3 West.

to customers. Staff concludes that the system has adequate production and storage capacity (through the interconnection with Walden Meadows) to serve existing customers and reasonable growth.

NON-ACCOUNT WATER

Non-account water should be 10 percent or less. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a company to identify water and revenue losses due to leakage, theft and flushing. The water pumped and sold data reported for the three Wilhoit systems produced unrealistic water loss results which call into question the validity of the water use data.

Staff recommends that Wilhoit be required to coordinate the reading of its well meters and individual customer meters on a monthly basis for each system and report this data in its 2012 Annual Report filed in 2013. If the reported water loss for the period is greater than 10%, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10% or less. If the Company believes it is not cost effective to reduce water loss to less than 10%, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15%.

The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item no later than June 30, 2013.

ADEQ COMPLIANCE

Yavapai Estates

ADEQ regulates Yavapai Estates under ADEQ Public Water System ("PWS") I.D. No. 13-077. Based on a Compliance Status Report, dated July 18, 2011, the system has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Blue Hills

ADEQ regulates Blue Hills under ADEQ PWS No. 13-055. Based on a Compliance Status Report, dated July 15, 2011, the system has major monitoring and reporting deficiencies. Arsenic in water produced by system wells exceeds the arsenic MCL. ADEQ cannot determine if the system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Staff recommends that Wilhoit file with Docket Control, as a compliance item in this docket, by December 31, 2012, an ADEQ Water Quality Compliance Status Report showing that water system PWS No. 13-055 is in compliance with ADEQ requirements and that the system is

currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Thunderbird Meadows

ADEQ regulates Thunderbird Meadows under ADEQ PWS No. 13-056. Based on a Compliance Status Report, dated July 21, 2011, the system has major deficiencies due to (1) two wells have not received Certificates of Approval to Construct and (2) finished water storage tank coating is not NSF 61 approved. ADEQ cannot determine if the system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Staff recommends that Wilhoit file with Docket Control, as a compliance item in this docket, by December 31, 2012, an ADEQ Water Quality Compliance Status Report showing that water system PWS No. 13-056 is in compliance with ADEQ requirements and that the system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

City of Prescott Water System

ADEQ regulates Prescott under ADEQ PWS No. 13-045. Based on a Compliance Status Report, dated September 7, 2011, the system has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Walden Meadows Water System

ADEQ regulates the Walden Meadows water system under ADEQ PWS No. 13-184. Based on a Compliance Status Report, dated July 22, 2011, the system has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE

The Wilhoit service area is located within the Prescott Active Management Area (“AMA”). ADWR has determined that Wilhoit is currently in compliance with departmental requirements governing water providers and/or community water systems.⁶

⁶ Per ADWR Water Provider Compliance Status Report dated June 28, 2011.

ACC COMPLIANCE

A check of the Utilities Division compliance database indicated that there are currently no delinquent compliance items for Wilhoit.⁷

TARIFFS

1. Curtailment Tariff

The Company has an approved Curtailment Tariff.

2. Cross Connection & Backflow Tariff

The Company has an approved Cross Connection & Backflow Tariff.

3. Best Management Practice ("BMP") Tariffs

In 2008, ADWR added a new regulatory program for the ADWR Third Management Plan for Active Management Areas ("AMAs"). The new program, called Modified Non-Per Capita Conservation Program ("Modified NPCCP"), addresses large municipal water providers (cities, towns and private water companies serving more than 250 acre-feet per year) and was developed in conjunction with stakeholders from all AMAs. Participation in the program is required for all large municipal water providers that do not have a Designation of Assured Water Supply and that are not regulated as a large untreated water provider or an institutional provider.

The Modified NPCCP is a performance-based program that requires participating providers to implement water conservation measures that result in water use efficiency in their service areas. A water provider regulated under the program must implement a required Public Education Program and choose one or more additional BMPs based on its size, as defined by its total number of water service connections. The provider must select the additional BMPs from the list included in the Modified NPCCP Program. The BMPs are a mix of technical, policy, and information conservation efforts.

Although the implementation of the Modified NPCCP is required of large municipal water providers within an AMA, the Commission has adopted the BMPs for implementation by large and small Commission regulated water companies.

On August 19, 2011, the Wilhoit docketed three selected BMPs 3.6, 3.7 and 5.2. Copies of these BMPs are attached.

⁷ Per Compliance Section email dated June 24, 2011.

Staff concludes that the BMP Tariffs proposed are relevant to the Wilhoit's service area characteristics. The BMP Tariffs selected by the Wilhoit conform to the templates developed by Staff.

Staff recommends approval of the three BMPs Tariffs selected by Wilhoit, BMPs 3.6, 3.7 and 5.2, attached hereto.

Staff further recommends that the Wilhoit file with Docket Control, as a compliance item in the docket, the three BMP Tariffs listed above within 30 days of the effective date of the order issued in this proceeding.

SUMMARY

Conclusions

1. Jim West will see to the day to day operation of the Company, while Brian Cunningham, a Grade II Certified Operator, will continue to operate the Wilhoit water systems under ACME if the Commission approves this application.
2. Staff concludes that the Wilhoit water systems have adequate production and storage capacity to serve existing customers and reasonable growth.
3. ADEQ has reported that Yavapai Estates (PWS No. 13-077) has no major deficiencies and is delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.
4. ADEQ has reported that Blue Hills (PWS No. 13-055) and Thunderbird Meadows (PWS No. 13-056) have major monitoring and reporting deficiencies. ADEQ cannot determine if Blue Hills (PWS No. 13-055) and Thunderbird Meadows (PWS No. 13-056) are currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.
5. ADWR has reported that Wilhoit is currently in compliance with departmental requirements governing water providers and/or community water systems.
6. A check of the Utilities Division compliance database indicated that there are currently no delinquent Commission compliance items for Wilhoit.

Recommendations

Staff recommends the following:

1. Wilhoit be required to coordinate the reading of its well meters and individual customer meters on a monthly basis for each system and report this data in its 2012 Annual Report filed in 2013. The results of this monitoring and reporting should be docketed as a compliance item in this case within 13 months of the effective date of the order issued in this proceeding. If the reported water loss for the period is greater than 10%, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10% or less. If the Company believes it is not cost effective to reduce water loss to less than 10%, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15%. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item no later than June 30, 2013.
2. Approval of the Wilhoit's three BMP Tariffs, BMPs 3.6, 3.7 and 5.2, attached hereto. Staff further recommends that Wilhoit file with Docket Control, as a compliance item in the docket, the three BMP Tariffs listed above within 30 days of the effective date of the order issued in this proceeding.
3. Wilhoit file with Docket Control, as a compliance item in this docket, by December 31, 2012, ADEQ Water Quality Compliance Status Reports showing that water system PWS No. 13-055 and PWS No. 13-056 are in compliance with ADEQ requirements and that the systems are delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
4. The Commission approve the sale and transfer of the Willow Lakes system assets to the City.
5. Approval of the Company's proposal to delete CC&N area included in portions of Sections 26, 27, 34 and 35 of Township 11 North, Range 3 West.

ATTACHMENTS

BMP 3.6	1
BMP 3.7	2
BMP 5.2	3

Company: Wilhoit Water Co.

Decision No.: _____

Phone: 928-639-1308

Effective Date: _____

Customer High Water Use Inquiry Resolution Tariff – BMP 3.6

PURPOSE

A program for the Company to assist its customers with their high water-use inquiries and complaints (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.6: Customer High Water Use Inquiry Resolution).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall handle high water use inquiries as calls are received.
2. Calls shall be taken by a customer service representative who has been trained on typical causes of high water consumption as well as leak detection procedures that customers can perform themselves.
3. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to the customer's residence to conduct a leak detection inspection and further assist the customer with water conservation measures.
4. The Company shall follow up in some way on every customer inquiry or complaint and keep a record of inquiries and follow-up activities.

Company: Wilhoit Water Co.

Decision No.: _____

Phone: 928-639-1308

Effective Date: _____

Customer High Water Use Notification Tariff – BMP 3.7

PURPOSE

A program for the Company to monitor and notify customers when water use seems to be abnormally high and provide information that could benefit those customers and promote water conservation (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services Program 3.7: Customer High Water Use Notification).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall track water usage for each customer and notify the customer if water use seems excessive for that particular billing for that time of the year.
2. The Company shall identify customers with high consumption and investigate each instance to determine the possible cause.
3. The Company shall contact the high water use customers via telephone, email, by mail or in person. The Company shall contact the customer as soon as practical in order to minimize the possible loss of water. The customer will not be required to do anything to receive this notification.
4. In the notification the Company shall explain some of the most common water usage problems and common solutions and points of contact for dealing with the issues.
5. In the notification, the customer will be reminded of at least the following water-saving precautions:
 - a. Check for leaks, running toilets, or valves or flappers that need to be replaced.
 - b. Check landscape watering system valves periodically for leaks and keep sprinkler heads in good shape.
 - c. Adjust sprinklers so only the vegetation is watered and not the house, sidewalk, or street, etc.
 - d. Continue water conservation efforts with any pools such as installing covers on pools and spas and checking for leaks around pumps.
6. In the notification, the customer will also be reminded of at least the following ordinary life events that can cause a spike in water usage:
 - a. More people in the home than usual taking baths and showers.
 - b. Doing more loads of laundry than usual.
 - c. Doing a landscape project or starting a new lawn.
 - d. Washing vehicles more often than usual.

7. The Company shall provide water conservation information that could benefit the customer, such as, but not limited to, audit programs, publications, and rebate programs.
8. The Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing the high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As part of the water audit the Company shall confirm the accuracy of the customer meter if requested to do so by the customer (applicable meter testing fees shall apply).
9. The type of notification, the timing of the notification (i.e., how long after high water use was discovered by the Company), and the criteria used for determining which customers are notified shall be recorded and made available to the Commission upon request.

Company: Wilhoit Water Co. Decision No.: _____

Phone: 928-639-1308 Effective Date: _____

WATER SYSTEM TAMPERING TARIFF – BMP 5.2

PURPOSE

The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.


REQUIREMENTS:


The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically Arizona Administrative Code ("AAC") R14-2-410 and the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. In support of the Company's water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company's authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company's services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company's action is successful, the Company may recover as damages three times the amount of actual damages.
2. Compliance with the provisions of this tariff will be a condition of service.
3. The Company shall provide to all its customers a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.
4. If after a customer has been connected to the Company water system and the Company discovers that the customer has taken actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.
5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

MEMORANDUM

TO: Kiana Sears
Executive Consultant
Utilities Division

FROM: Lori H. Miller 
Programs & Projects Specialist II
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: October 12, 2011

RE: **WILHOIT WATER COMPANY - DOCKET NO. W-02065A-11-0246**
ACME WATER, LLC - DOCKET NO. W-20809A-11-0246
(AMENDED LEGAL DESCRIPTION)

Wilhoit Water Company ("Wilhoit" or "Company") has filed an application to transfer its CC#N to ACME Water, LLC. Wilhoit has also filed supplemental applications to: 1) cancel a portion of its CC#N that was originally served by the Company's Willow Lakes System (this area was condemned in 1981 by the City of Prescott and service was transferred to the City but the transfer was never approved by this Commission; and 2) cancel a portion of its CC#N that was never developed or served. Attached are legal descriptions for the two supplemental applications (Exhibit A for the undeveloped /unserved CC#N area deletion and Exhibit B for the Willow Lakes CC#N area deletion).

Also attached are copies of the maps for your files.

/lhm

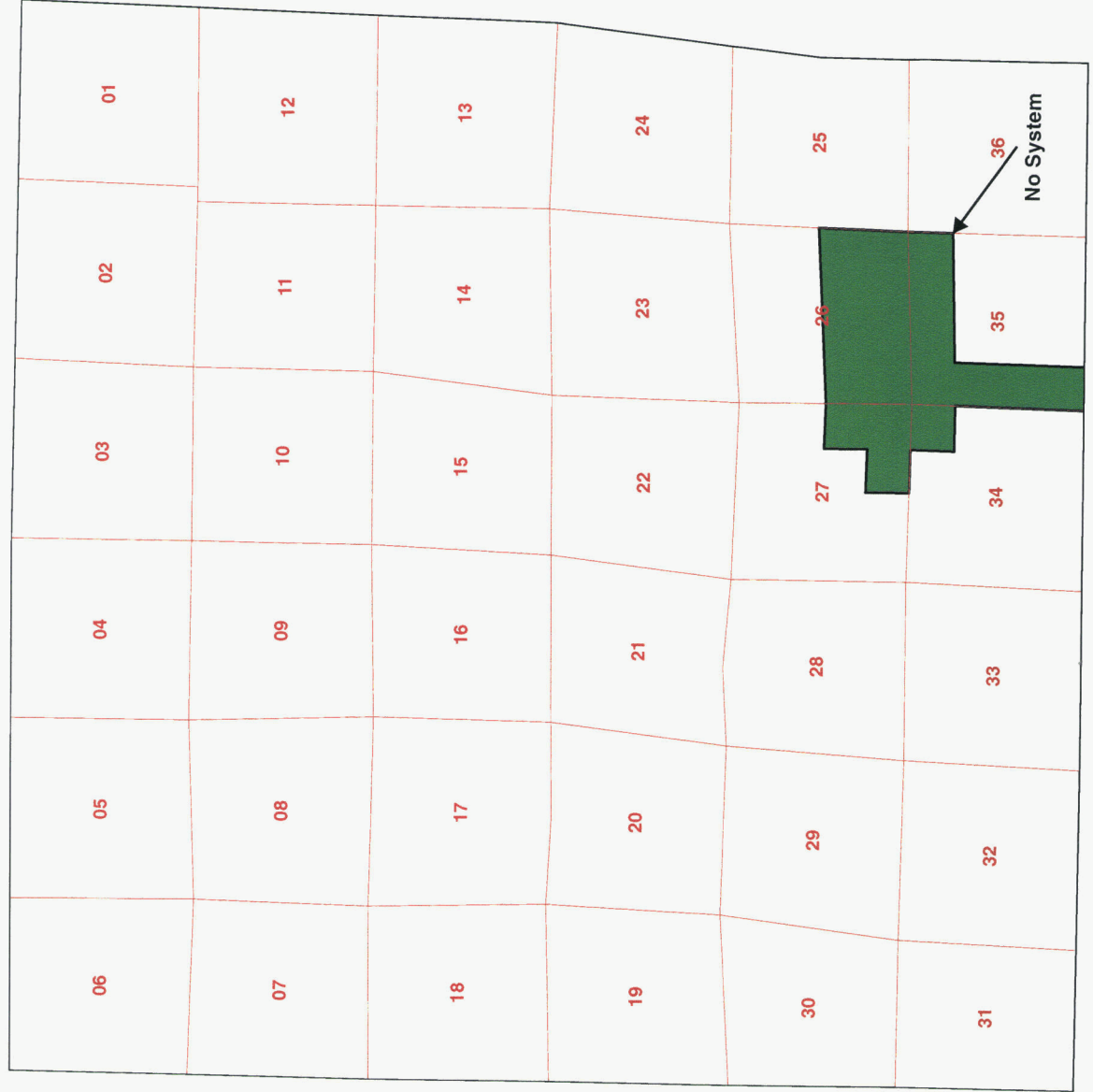
Attachments

cc: Mr. Jim West
Ms. Deb Person (Hand Carried)
Ms. Dorothy Hains
File

YAVAPAI COUNTY

RANGE 3 West

TOWNSHIP 11 North



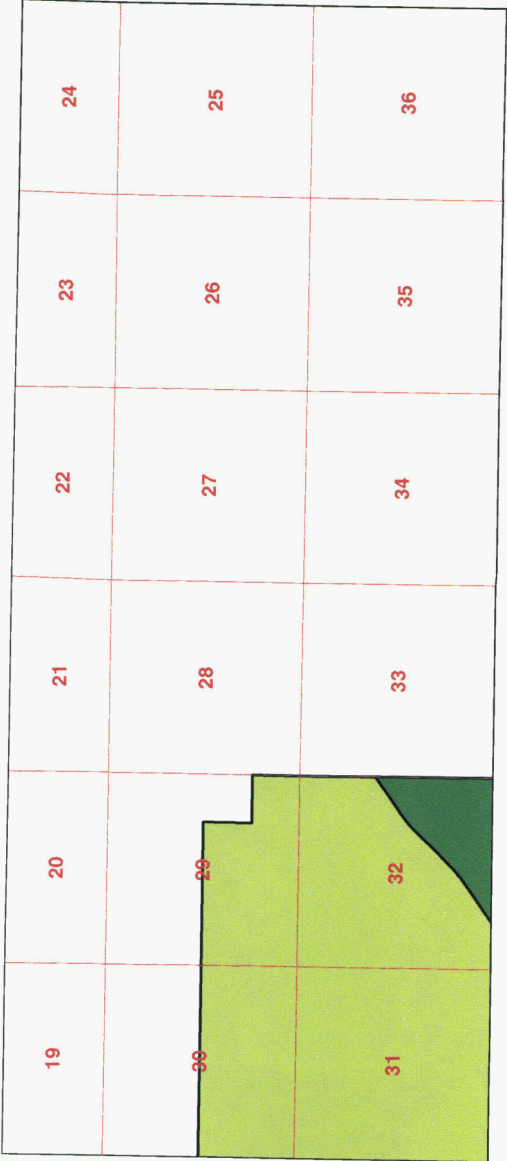
W-02065A (6)
Wilhoit Water Company, Inc.

(6)
Wilhoit Water Company, Inc.
Docket No. W-02065A-11-0246
Cancel CC&N (Undeveloped Property)

YAVAPAI COUNTY

RANGE 3 West

- W-02369A (2)
Walden Meadows Community Co-op
- W-02065A (6)
Wilhoit Water Company, Inc.
(Thunderbird Meadows System)

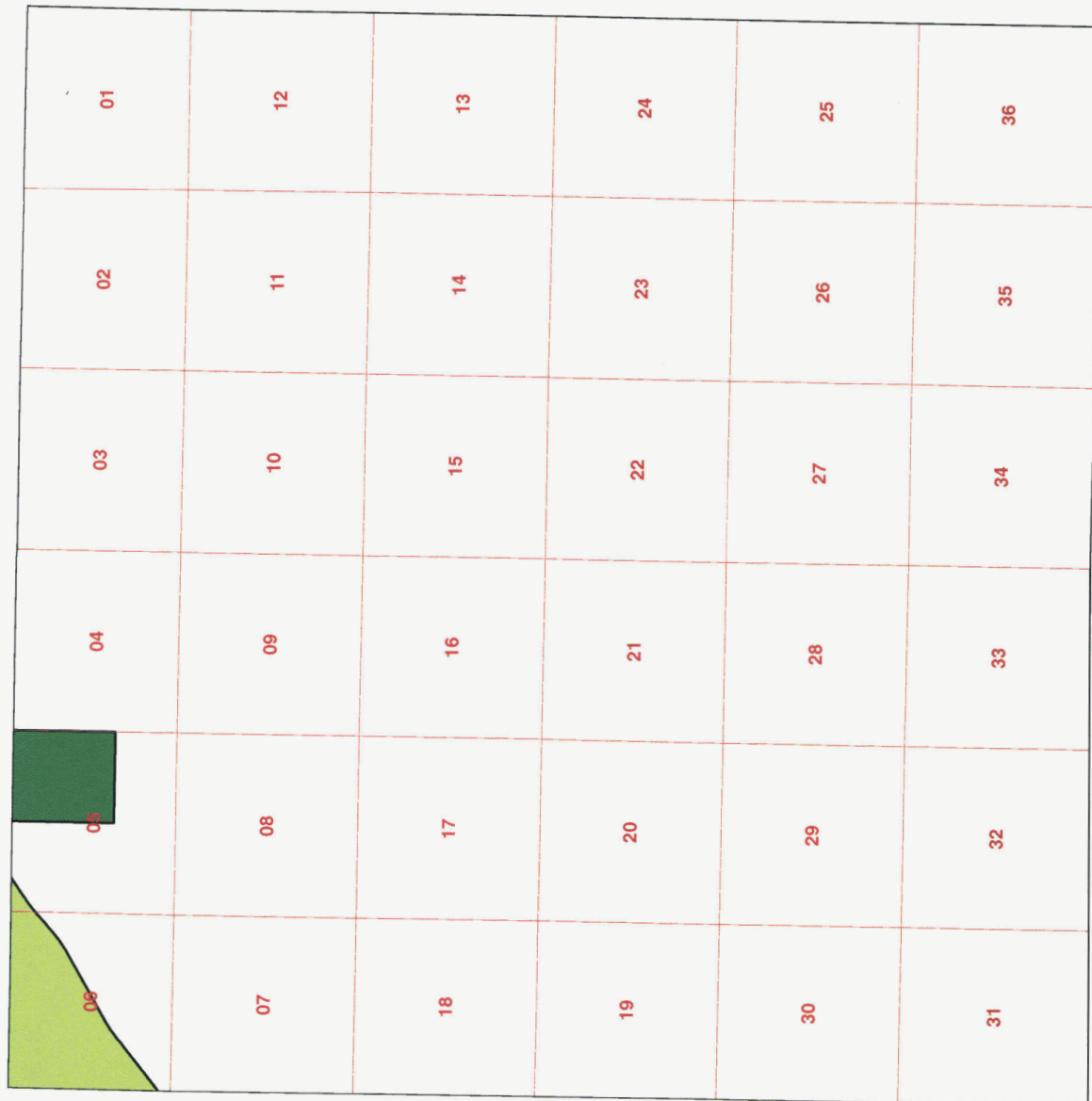





- (6)
Wilhoit Water Company, Inc.
Docket No. W-02065A-11-0246
Transfer to ACME Water, LLC
Docket No. W-20809A-11-0246

TOWNSHIP 12 1/2 North

RANGE 3 West

TOWNSHIP 12 North



-  W-02369A (2)
Walden Meadows Community Co-op
-  W-02065A (6)
Wilhoit Water Company, Inc.
(Thunderbird Meadows System)
-  (6)
Wilhoit Water Company, Inc.
Docket No. W-02065A-11-0246
Transfer to ACME Water, LLC
Docket No. W-20809A-11-0246

YAVAPAI COUNTY

RANGE 1 East

TOWNSHIP 13 North

W-02197A (1)
Humboldt Water System, Inc.

W-02065A (6)
Wilhoit Water Company, Inc.
(Dewey [Blue Hills No. 3] System)







(6)
Wilhoit Water Company, Inc.
Docket No. W-02065A-11-0246
Transfer to ACME Water, LLC
Docket No. W-20809A-11-0246

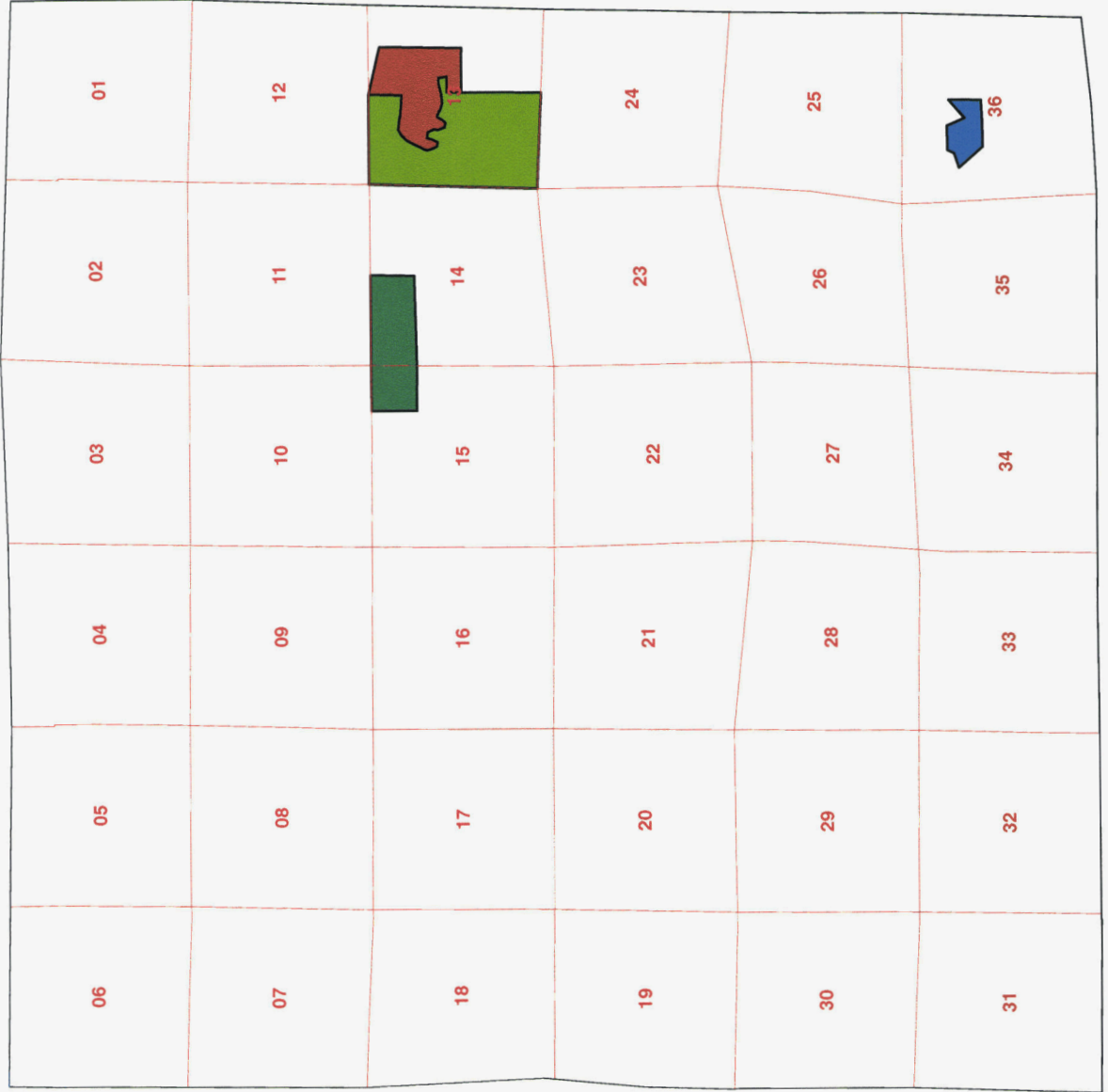
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07	08	09	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

YAVAPAI COUNTY

RANGE 2 West

TOWNSHIP 14 North

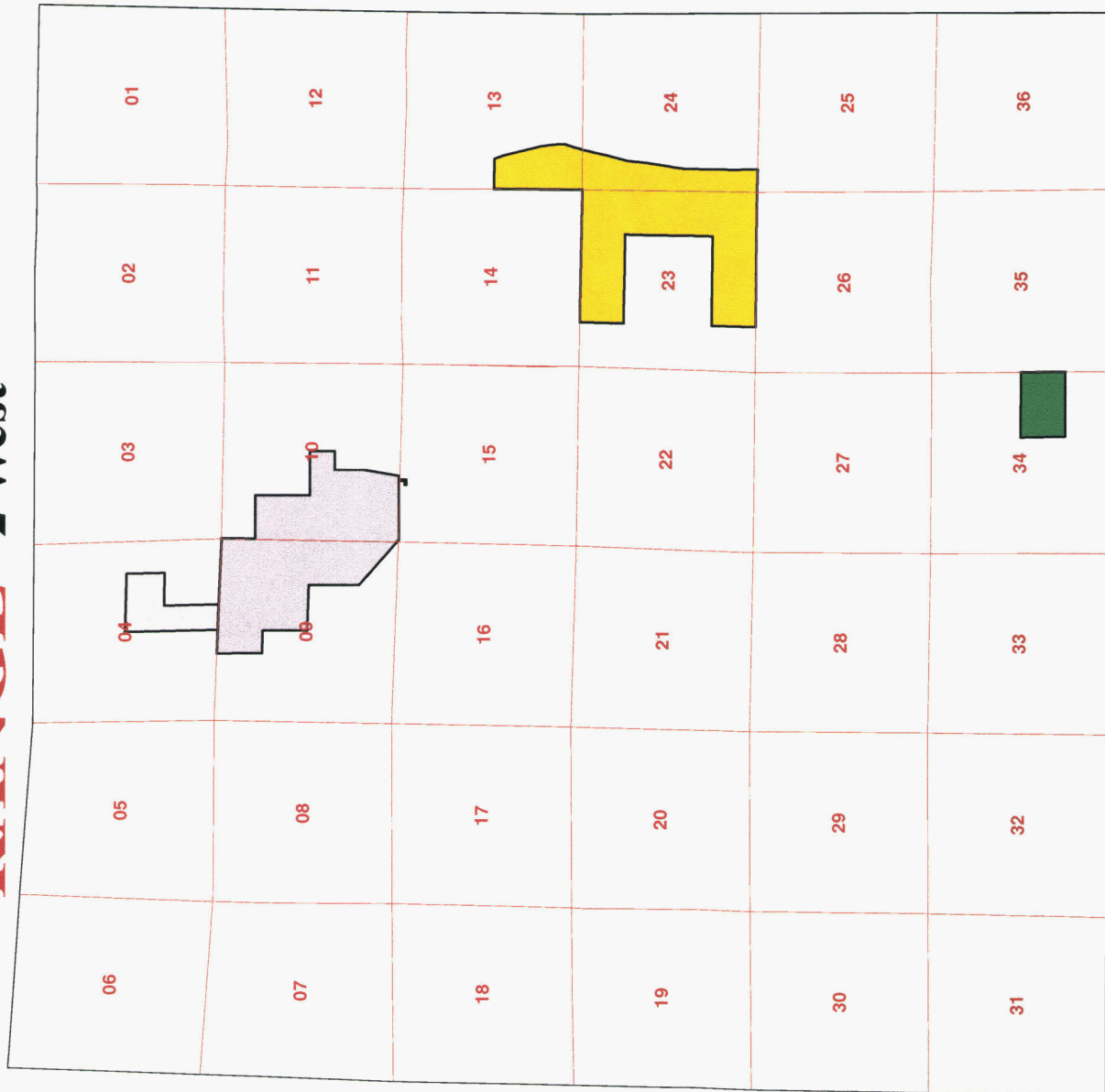
	W-01384A (1) Dell's Water Company, Inc.
	W-01670A(1) Granite Dells Water Company
	W-01638A (1) Holiday Hills Water Company
	W-02065A (6) Wilhoit Water Company, Inc. (Willow Lakes)
	(1) Dell's Water Company Docket No. W-01384A-11-0243 Transfer to ACME Water, LLC (W-20809A)
	(6) Wilhoit Water Company, Inc. Docket No. W-02065A-11-0246 Cancel - to City of Prescott








YAVAPAI COUNTY

RANGE 2 West

TOWNSHIP 16 North



-  W-03443A (1)
Appaloosa Water Company
-  W-02370A (1)
Chino Meadows II Water Company, Inc.
-  W-02065A (6)
Willhoit Water Company, Inc.
(Yavapai Estates System)
-  Appaloosa Water - Contiguous Area
-  (6)
Willhoit Water Company, Inc.
Docket No. W-02065A-11-0246
Transfer to ACME Water, LLC
Docket No. W-20809A-11-0246

Wilhoit Water Company - Yavapai County

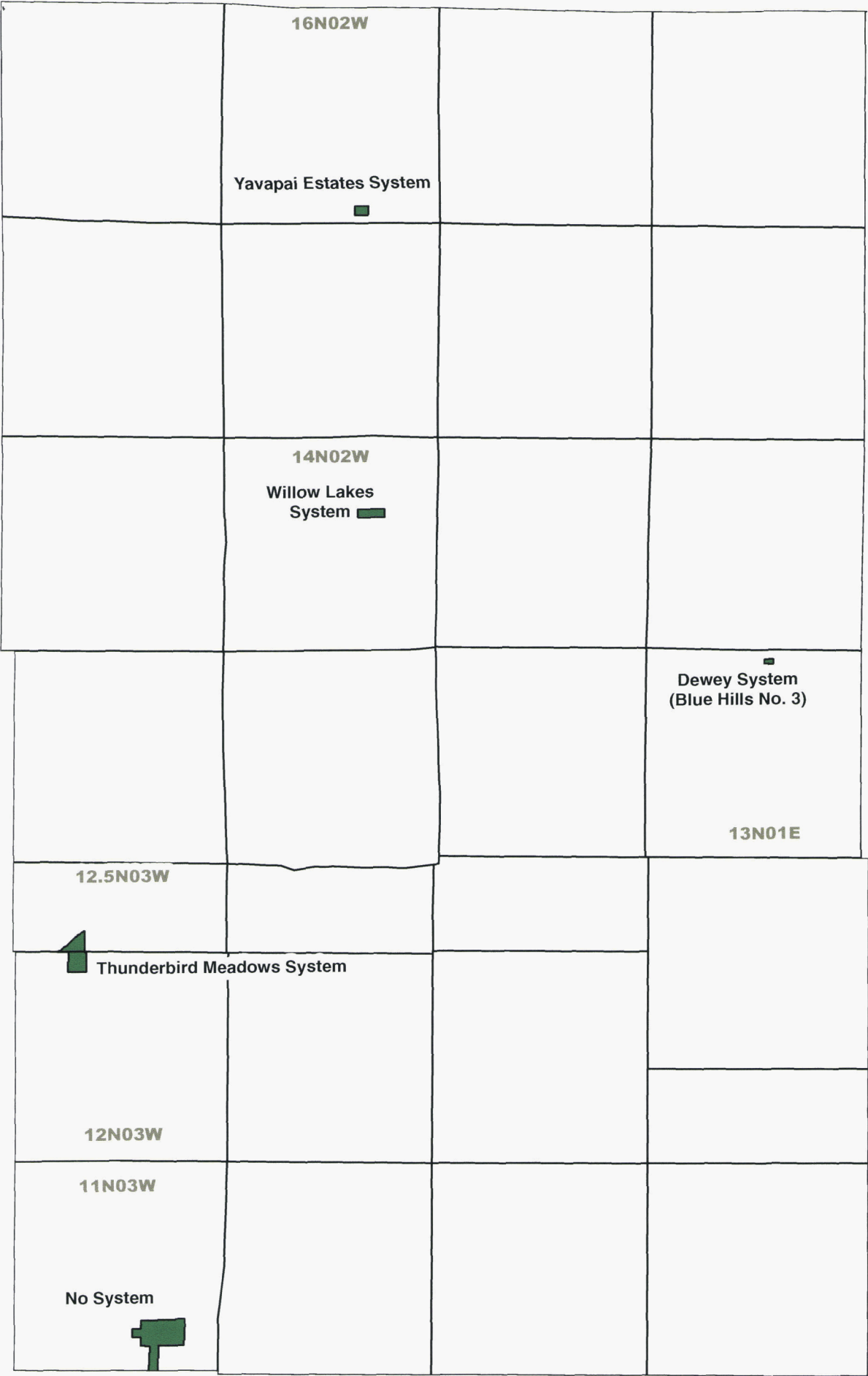


EXHIBIT "A"

The Southwest Quarter of Section 26, the Southeast Quarter of Section 26, the North Half of the Northeast Quarter of Section 35; EXCEPT all coal and other minerals as reserved by the United States in Patent on said land. The East Half of the Southeast Quarter and the Southwest Quarter of Section 27; the Northeast Quarter of the Northeast Quarter of Section 34, the North Half of the Northwest Quarter; the Southwest Quarter of the Northwest Quarter and the West Half of the Southwest Quarter of Section 35; all in the Township 11 North, Range 3 West of the Gila and Salt River Meridian, Yavapai County, Arizona.

"EXHIBIT B"

ATTACHMENT "A"

The North Half of the Northwest Quarter of
Section 14 and the Northeast Quarter of the
Northeast Quarter of Section 15, all in
Township 14 North, Range 2 West, Gila and
Salt River Base and Meridian, Yavapai County,
Arizona.

BOOK 1387 PAGE 732